

Message Text

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ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 CEA-01 STR-01 SAM-01

PA-01 PRS-01 USIA-06 FEAE-00 SS-15 NSC-05 /089 W

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R 181248Z FEB 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2286

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY LONDON

AMEMBASSY TEHRAN

USMISSION OECD PARIS

C O N F I D E N T I A L KUWAIT 0802

DEPT PASS TREASY AND FRB

E.O. 11652: GDS

TAGS: EFIN, EINV, EALR, KU, US

SUBJECT: DETAILS OF GOK INVESTMENTS IN US

1. DURING MEETING WITH DIRECTOR OF INVESTMENTS KHALED ABU SU'UD FEBRUARY 17, HE PROVIDED DETAILS ON GOK INVESTMENTS IN US THAT WERE UNKNOWN TO US. HE SAID BULK OF DIRECT GOK INVESTMENTS ARE HANDLED BY FNCB IN DIVERSIFIED PORTFOLIO. PORTFOLIO INCLUDES SHARES IN SOME 200 COMPANIES OF WHICH PRESENTLY 40 PERCENT ARE IN TECHNOLOGY AREA AND 17 PERCENT ARE PUBLIC UTILITIES. TO HIS SURPRISE ABU SU'UD SAID, GOK RECENTLY LEARNED THAT ITS LEVEL OF OWNERSHIP IN SOME COMPANIES HAD REACHED 4-5 PERCENT.

2. ON LIQUID HOLDINGS ABU SU'UD SAID LITTLE WAS KEPT IN BASIC
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BANK ACCOUNTS. MOST WERE IN NEGOTIABLE INSTRUMENTS, INCLUDING,

PRESUMABLY LARGE CDS. ENOUGH WAS KEPT TO MEET CURRENT BUDGET AND OTHER COMMITMENTS.

3. ABU SU'UD TOLD US THAT FNCB HAS RECENTLY ADVISED GOK TO PLACE LARGER PORTION OF THEIR ASSETS IN LONG TERM, "TANGIBLE" HOLDINGS. FNCB OFFERING NEW ARRANGEMENT WHICH WOULD PROVIDE CERTAIN LIQUID FEATURES. BASICALLY IN CONSIDERATION FOR GOK EASING LIQUIDITY PRESSURE BY SHIFTING PORTION OF ITS ASSETS TO LONG TERM HOLDINGS, FNCB WOULD MAKE CREDIT AVAILABLE TO GOK TO MEET ANY SHORT-TERM REQUIREMENTS THAT MAY NOT BE ABLE TO BE MET QUICKLY OUT OF GOK'S OWN SHORT-TERM HOLDINGS.

4. COMMENT: ABU SU'UD HAD JUST RECEIVED FNCB PROPOSAL WHEN WE SAW HIM, BUT HE SEEMED TO FIND IT INTERESTING. HOWEVER, HE TOLD US HE UNSURE WHAT TO DO BECAUSE HE HAD IMPRESSION THAT WHENEVER GOK MADE LONG TERM INVESTMENTS IT WAS CRITICIZED, AND YET ONE IMPORTANT REASON FOR FNCB ADVISING MOVEMENT OUT OF SHORT TERM ASSETS WAS THAT SURPLUS OIL PRODUCERS WERE BEING CRITICIZED FOR NOT MAKING LONGER TERM INVESTMENTS.
STOLTZFUS

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